Associated British Foods plc

2016 INTERIM RESULTS

Associated British Foods is a diversified international food, ingredients and retail group with sales of £12.8bn, 124,000 employees and operations in 48 countries across Europe, southern Africa, the Americas, Asia and Australia.

FINANCIAL HIGHLIGHTS

Group revenue

£6,117m

Actual fx: -2%
Constant currency: +2%

Gross capital investment

£348m

Adjusted operating profit*

£486m

Actual fx: +3%
Constant currency: +5%

Net debt reduced to

£421m

Adjusted profit before tax**

£466m

Up 4%

Operating profit

£477m

Up 35%

Adjusted earnings per share**

46.1p

Level

Profit before tax

£457m

Up 115%

Dividends per share

10.3p

Up 3%

Basic earnings per share

45.2p

Up 150%

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* Before amortisation of non-operating intangibles, profits less losses on disposal of non-current assets and exceptional items.

** Before amortisation of non-operating intangibles, profits less losses on disposal of non-current assets, profits less losses on sale and closure of businesses and exceptional items.

All adjustments to profit measures are shown on the face of the consolidated income statement.

Constant currency is derived by translating the 2015 results at 2016 average exchange rates.

A DIVERSIFIED BUSINESS

THE GROUP OPERATES THROUGH FIVE STRATEGIC BUSINESS SEGMENTS:

GROCERY

Revenue
£1,520m 2015: £1,580m
Adjusted operating profit
£130m 2015: £128m
Adjusted operating profit margin
8.6% 2015: 8.1%
Return on average capital employed
22.7% 2015: 21.4%

SUGAR

Revenue
£843m 2015: £928m
Adjusted operating profit
£6m 2015: £(3)m
Adjusted operating profit margin
0.7% 2015: (0.3)%
Return on average capital employed
0.8% 2015: (0.4)%

AGRICULTURE

Revenue
£491m 2015: £577m
Adjusted operating profit
£22m 2015: £23m
Adjusted operating profit margin
4.5% 2015: 4.0%
Return on average capital employed
14.4% 2015: 16.5%

INGREDIENTS

Revenue
£596m 2015: £616m
Adjusted operating profit
£40m 2015: £28m
Adjusted operating profit margin
6.7% 2015: 4.5%
Return on average capital employed
11.8% 2015: 8.0%

RETAIL

Revenue
£2,667m 2015: £2,547m
Adjusted operating profit
£313m 2015: £322m
Adjusted operating profit margin
11.7% 2015: 12.6%
Return on average capital employed
32.0% 2015: 31.2%

CHAIRMAN'S STATEMENT

CHARLES SINCLAIR, CHAIRMAN

CASH FLOW WAS MUCH IMPROVED THIS PERIOD WITH A CASH INFLOW FROM OPERATING ACTIVITIES £174M HIGHER THAN THE SAME PERIOD LAST YEAR.

These results demonstrate underlying progress for all of our businesses in the period. Primark's selling space expansion continued, profit margins improved in Grocery and Agriculture, profits were well ahead in Ingredients, and Sugar delivered a better result, albeit still at a low level.

As expected, the movement in exchange rates held our group profits back, both in the translation of overseas revenues and profits and, significantly, in the transaction effect on the margin at Primark and British Sugar. I am therefore pleased to report interim results for the group of adjusted earnings per share level with last year.

Revenue in the first half increased by 2% at constant currency but was 2% lower than last year at actual exchange rates. Adjusted operating profit increased by 5% at constant currency and by 3% at actual rates. Net financing costs in the period were lower than last year's first half, resulting from a lower average level of net borrowings, and the underlying tax rate was in line with last year. Although adjusted profit before tax was 4% ahead of last year, the results attributable to the minority shareholders in our African and Chinese sugar businesses were greater this year. As a result, adjusted earnings per share in the first half were level with last year. On an unadjusted basis, results were well ahead of last year which included the impact of restructuring in AB Sugar.

After several years of decline, the small improvement in AB Sugar is encouraging. Management has worked hard to embed a culture of performance improvement which is delivering significant cost reduction across all of its businesses. We have established a good track record here and have identified a number of further opportunities. Low world prices and the remaining uncertainty expected from the withdrawal of EU sugar quotas in October 2017 underline the imperative to focus on low-cost production.

I am pleased that after ten successful years of investment in Illovo, we have now reached agreement with its board for the purchase of the minority shareholdings that we do not already own for some £260m. Illovo shareholder approval will be sought at an extraordinary meeting in May. Illovo already benefits from being one of the world's lowest-cost producers and its domestic markets are growing strongly. We believe that full ownership will accelerate Illovo's commercial development and its performance improvement initiatives which are already under way.

Cash flow was much improved this period with a cash inflow from operating activities £174m higher than the same period last year. This improvement was driven mainly by a reduction in EU sugar stocks, but also lower inventory at Primark. Capital expenditure was higher driven by Primark's expansion, and investment in increased capacity and cost reduction in the food businesses. Net debt at the period end was £421m, a reduction of £380m from the position last half year, reflecting strong cash flows both in the second half of last year and the first half of this.

The referendum, on 23 June, on the UK's continued membership of the EU has created uncertainty in the business community and financial markets. ABF is an international business with diverse interests across 48 countries and a business model that, wherever possible, aligns production with the end markets for its products. Primark operates discrete supply chains for its stores in each of the UK, US and eurozone. We undertake relatively little cross-border trading between the UK and the rest of the EU.

The UK Chancellor's 2016 budget included proposals for the introduction of a soft drinks levy in the UK aimed at addressing rising levels of obesity. There is uncertainty as to how these proposals may be implemented. Obesity has been, and continues to be, a complex issue driven by many different factors. We remain committed to informing and educating consumers about the role that sugar can play in the diet and lifestyle.

The board

On 13 April 2016 Peter Smith retired after nine years' service as chairman of the Audit committee and as a valued member of the board. I would like to thank Peter for his steadfast commitment and the enthusiasm with which he has steered the Audit committee through a period of substantial change in corporate governance and financial reporting.

We welcome Richard Reid to the board. Richard was appointed as a director on 14 April 2016 and succeeds Peter as chairman of the Audit committee. Richard was a partner in KPMG LLP having joined the firm in 1980 and was latterly, until his retirement last year, chairman of the London office. He brings to the board a wealth of experience across a range of consumer products and retail businesses.

Dividend

The board has declared an interim dividend of 10.3 pence per share, an increase of 3% on last year. The dividend will be paid on 1 July 2016 to shareholders registered at the close of business on 3 June 2016.

Outlook

The underlying trading outlook for the group for the full year is unchanged.

Sterling has weakened recently against our major trading currencies. If current rates were to prevail, this would give rise to a currency translation benefit in the second half and we would no longer expect currency translation to have a material impact on our results for the full year. With the exchange rates applicable to most of Primark's purchase orders for the second half already having been fixed, we would expect any further impact on Primark's margins for the balance of the financial year to be limited. British Sugar margins are, however, expected to benefit from sterling weakness on its euro-denominated sales.

We now expect only a marginal decline in adjusted earnings per share for the group for the full year.

Charles Sinclair
Chairman
19 April 2016

OPERATING REVIEW

GEORGE WESTON, CHIEF EXECUTIVE

UNDERLYING PROGRESS WAS MADE BY ALL OF OUR BUSINESSES THIS YEAR.

Adjusted operating profit in the first half of £486m was 5% higher than last year on group revenues that were 2% ahead at £6,117m, at constant currency.

As explained in the Chairman's statement, the currency effects of both translation and transaction have held back the financial performance in the first half. Underlying progress was made by all of our businesses this year.

The clothing retail market over the half year has been challenging, especially in the UK. The rate of Primark's selling space additions will increase and the pipeline of new store openings is strong, both for the second half of this year and next year. We are encouraged by the early trading in the US and are excited by the prospect of Primark's recent entry into Italy. These achievements are noteworthy as is the work undertaken to mitigate the transactional currency impact on margin.

Both AB Mauri and the speciality ingredients businesses have continued the recovery of the last two years with a further substantial improvement in profits. This recovery is broadly based, driven by a combination of performance improvement, cost reduction and commercial development.

GROCERY

	2016	2015	Actual fx	Constant fx
Revenue £m	**1,520**	1,580	-4%	-1%
Operating profit £m	**130**	128	+2%	+2%

Adjusted operating profit in the first half was 2% ahead of last year on revenues that were 1% lower at constant currency and 4% lower at actual exchange rates. Margin improved from 8.1% to 8.6% continuing the progress of recent years.

Twinings Ovaltine achieved market share gains for tea in the UK, Italy, the US and Australia where a combination of television, digital and print advertising campaigns have been used to good effect. Sales of Ovaltine were better in Thailand where margin also improved and, in its developing markets, good progress was made in Vietnam. Difficult economic conditions led to disappointing sales in Nigeria.

The UK bakery market remains intensely competitive with retailers choosing bread as a means of highlighting their value for money to shoppers. Although average prices have been stable for the last six months, they remain at their lowest level for eight years. Kingsmill's market share grew, with a substantial increase in sales volumes and strong consumer demand for alternative bakery products, especially Sandwich Thins. Bakery margins as a whole remain under pressure. Capital investment in the period included the moving and upgrading of the bun plant from Orpington to Cardiff which, together with the Stoke bakery, supplied 50 million hot cross buns this season. A new warehouse management system has been installed at Stockport, West Bromwich and Glasgow which has significantly increased picking speeds and ensured that we maintain our leading customer service levels. Roll-out of this new system to all remaining bakeries will take place over the next 12 months.

Dorset Cereals continued to perform very well and the brand has now been launched in Australia with good distribution in the two major national retailers. Jordans and Ryvita both made further progress internationally, growing particularly well in Australia, Canada and France.

At AB World Foods, Patak's and Blue Dragon maintained their positions as the leading Indian and Oriental ambient brands in the UK with support for both on television, radio and in-store. Significant cost inflation on spices and dhal flour, the principal ingredient in pappadums, has put pressure on margins. Westmill Foods' core ethnic catering business traded well, with Lucky Boat noodles volumes well ahead. In the ethnic consumer market, Elephant Atta volumes recovered strongly after a weaker performance last year, and Green Dragon Thai rice achieved strong growth.

Operating profit in North America was maintained, despite a very competitive market for vegetable oils, with further advertising behind the Mazola brand promoting the health benefits of plant sterols. In the US, ACH's foodservice volumes showed good growth reflecting strong partnerships with key distributors and the impact of lower Mazola retail volumes was offset by a reduction in overheads. In Mexico, oil volumes were lower and margins came under pressure from the devaluation of the peso. Stratas Foods achieved strong volume growth in both foodservice and retail oils.

Trading at George Weston Foods in Australia was much improved. Revenues were ahead of last year across all businesses with particularly strong progress made by the Don KRC meat business. Here further factory improvements and lower procurement costs drove the improved result. Tip Top continued to drive a more efficient cost base and the brand has undergone a complete redesign with new packaging across the bakery range.

SUGAR

	2016	2015	Actual fx	Constant fx
Revenue £m	**843**	928	-9%	+3%
Operating profit £m	**6**	(3)	n/a	n/a

Revenue for AB Sugar in the first half was 3% higher than last year at constant currency and the operating result improved. A tightening of EU and Chinese stock levels resulted in a strengthening of domestic prices in those markets, but world prices remain low. With most of British Sugar's contracts for the current year already agreed, there will be no material impact on its profit from the improvement in pricing until next year.

After last year's record UK sugar production of 1.45 million tonnes, a smaller area was contracted for cultivation this year. This reduction, combined with beet yields returning to more typical levels, resulted in production just short of 1.0 million tonnes. Operating performance remained very strong at all sites with a successful campaign completed in February. However, the benefit of the reduction in beet costs for this campaign was more than offset by a higher overhead cost in stock, as a result of the lower volumes, and weakness of the euro in the period. This reduced the half year operating result and we also expect the result for the full year to be lower than last year.

A state-of-the-art anaerobic digestion plant for the production of biogas is being built at Bury St Edmunds and will be commissioned later this year. This facility will have the capacity to use 100,000 tonnes of pressed sugar beet pulp as a feedstock and will generate five megawatts of electricity for export to the grid. Importantly, this will reduce the energy consumed on site, by eliminating both the need to dry pulp and the transportation cost of removing it, and will be a major contributor to further cost reduction.

The Vivergo bioethanol plant has operated well which, combined with better bioethanol prices, led to some improvement in its result in the first half. At current wheat prices and with increasing production rates, this progress is expected to continue in the second half.

In Spain, the operating result improved significantly with the benefit of lower beet costs, better pricing and higher production. In the north, the campaigns at Miranda and Toro were completed by mid January and at La Bañeza, where the start of the campaign was deferred to allow further maturity of the beet, it was completed in early April. Total beet sugar production is estimated to be 440,000 tonnes compared with last year's 414,000 tonnes. Additionally, 25,000 tonnes will be produced from the refining of imported raw cane sugars at the northern beet factories.

Illovo's production is expected to be 10% below last year at 1.47 million tonnes as a result of the widespread effects of drought on growing conditions and power supply. Investment in a new refinery at Nakambala in Zambia is progressing well and will come on stream later this year. This will enable us to meet the growing demand for more refined sugars in the African market and will strengthen our leadership in the region.

On 8 April we announced that we had reached an agreement with the board of Illovo to acquire the 48.65% interest in the company that we do not already own for a price of 25 rand per share, representing a total consideration of 5.6bn rand (£262m) in cash. Illovo is listed on the Johannesburg stock exchange and completion of the transaction is subject to Illovo shareholder approval which will be sought at an extraordinary shareholder meeting in May. Illovo directors intend to vote in favour of the proposed transaction in respect of their own shares. This transaction is expected to be immediately earnings accretive for ABF.

China also saw an improvement following the closure last year of the two uneconomic factories in Heilongjiang and an increase in prices. Operational performance at the two remaining beet sugar factories at Zhangbei and Qianqi was strong with a record beet supply to both plants, and the highly successful campaign finished in December with 159,000 tonnes of sugar produced. In the south, production was 31% lower than last year at 287,000 tonnes, due to a combination of a smaller area assigned to the cane crop, excessive rain affecting cane maturity and, as a consequence, poor sugar content.

All of our sugar businesses remain focused on the delivery of substantial cost reduction through a combination of continuous improvement, business transformation, capital expenditure and procurement activities. There are many instances of best practice transfer across the group. For example, Illovo undertook a comprehensive study of crop harvesting and inbound logistics in Africa involving the use of GPS technology to map vehicle movements. This is now being adopted by British Sugar and Azucarera to reduce waste for both growers and ourselves.

Investment at AB Sugar has not only delivered substantial cost reduction but has also delivered co-product extensions and improvements in product quality and format.

AGRICULTURE

	2016	2015	Actual fx	Constant fx
Revenue £m	**491**	577	-15%	-15%
Operating profit £m	**22**	23	-4%	-8%

Revenue in the first half was 15% lower than last year, driven by soft commodity prices and lower volumes in our UK feed business, AB Connect. However, excellent trading at AB Vista drove further margin improvement for AB Agri as a whole.

Lower revenues for AB Connect were largely the result of lower demand for ruminant feed during the mild winter. Speciality feed volumes were ahead of last year as the business increased its share of the domestic market, more than offsetting lower export volumes to the EU. We are developing our anaerobic digestion products and services business with the aim of improving the efficiency of this industry. We are also developing an anaerobic digestion plant in Yorkshire which uses low-grade food waste, sustainably, as a feedstock.

AB Vista continued to build on its success in feed enzymes with good progress made in Asia, Europe and the Middle East. As well as continued growth of its phytase enzyme, Quantum Blue, there was also increased demand for Econase XT in the Americas and in south east Asia. North America continued to be very competitive but sales from new markets in Eastern Europe were strong.

In China, market conditions remain weak but the impact has been mitigated by improved purchasing and pricing. Furthermore, the industry in China is moving from traditional backyard farms to larger, more professionally managed enterprises that demand higher-quality service, differentiated products and food safety credentials. We have targeted these larger businesses and have had success in winning a number of new feed supply contracts. A new premix plant, which is currently under construction and due to complete at the end of this calendar year, will broaden our product range.

In Frontier Agriculture, good grain trading income was partly offset by lower demand for fertiliser and crop protection products, as a result of excellent sowing conditions in the autumn and a mild winter which allowed crops to establish well.

INGREDIENTS

	2016	2015	Actual fx	Constant fx
Revenue £m	**596**	616	-3%	+4%
Operating profit £m	**40**	28	+43%	+54%

Revenue in the first half was 4% ahead of last year at constant currency. Building on the improvement of the last two years, operating profit for the half year was substantially ahead, with further recovery in yeast and bakery ingredients and another strong performance from ABF Ingredients.

At AB Mauri, the businesses in the Americas performed well. We lead the North American industry in the application of ingredient technology in industrial bread production and we launched USDA 'certified organic' bread improvers in the period. Despite a difficult economic environment in Hispano America and Brazil, our continued focus on craft bakeries enabled further progress.

Globally we continue to develop our baking technology to enable our customers to meet growing consumer demand for healthier diets, while at the same time improving their productivity. In particular, this has enabled them to reduce sugar and salt in, and remove additives from, their recipes.

Growth was more limited in western Europe. The continued integration of the bakery ingredients business acquired in 2014 saw the rationalisation of warehousing and distribution in Iberia. A new technical centre was opened in the UK to enable the development of new bakery ingredient solutions and the provision of technical support and training to customers.

Capital investment in our Montreal and Memphis yeast plants has facilitated significant improvement in the consistency of product quality and plant efficiency. This included new equipment to improve raw materials handling and deliver automated sanitation systems. We are also investing in a new bakery ingredients plant in Argentina, which is due to commence operations early next year.

ABF Ingredients achieved good revenue growth in the first half and all businesses made further profit progress. Strong factory performances and effective cost control resulted in increased margins, particularly at AB Enzymes which made further advances in the baking and detergent sectors. In the US, functional excipients achieved significant growth and speciality cereals advanced with a good performance from protein extrusions. Key capacity expansion projects, to enable further growth in enzymes and speciality lipids, are on track.

RETAIL

	2016	2015	Actual fx	Constant fx
Revenue £m	**2,667**	2,547	+5%	+7%
Operating profit £m	**313**	322	-3%	-1%

Primark's sales in the first half were 7% ahead of last year at constant currency, driven by increased retail selling space, and 5% ahead at actual exchange rates.

Following a strong performance at the start of the financial year, trading was weaker in the weeks leading up to and over Christmas, as a result of unseasonably warm weather across northern Europe, resulting in like-for-like sales for the first half that were less than 1% below last year. Our stores in France delivered a strong like-for-like performance despite the very high sales densities achieved in their first year of trading last year. As expected, the impact of new store openings on the like-for-like sales in existing stores in Germany and the Netherlands has eased. Early trading at our two stores in the US has been encouraging, with very positive customer feedback. Primark has been well received, particularly its exceptional value for money and the breadth of its product range. Footfall and sales density have increased steadily as awareness of the Primark brand, which started at a low level, continues to grow.

Adjusted operating profit was 1% lower than last year at constant currency and 3% lower at actual exchange rates. As previously explained, Primark buys a substantial proportion of its garments in US dollars, and sells them in euros and sterling, giving rise to transactional currency exposures. Forward currency contracts are taken out to cover these exposures when orders are placed.

Last year's results were therefore protected from the effect of the devaluation, in early calendar 2015, of the euro against the US dollar. The impact of this devaluation was felt in the first half of this year when the operating profit margin of 11.7% was 0.9 percentage points lower than last year. This margin decline was smaller than had been expected, as much of the impact of the stronger dollar was mitigated by a good buying performance and a lower level of mark-downs arising from a well-managed stock position. This margin decline also included the net cost, in the US, of the head office and warehouse which only supported two stores in the first half.

Retail selling space has increased by 0.3 million sq ft since the last financial year end and by 0.8 million sq ft since the 2015 half year. At 27 February 2016, 299 stores were trading from 11.5 million sq ft of retail selling space. We opened a net six new stores in the period including a flagship, 133,000 sq ft store on Gran Via in central Madrid in October, and our second store in the US, at the King of Prussia mall in Pennsylvania, at the end of November.

The number of openings will be greater in the second half, with a further 0.3 million sq ft in seven new stores already opened since the half year including Cagnes-sur-Mer, near Nice, and Toulon in France. The remaining openings will be weighted towards the end of the second half and, for the full year, we expect to have opened a total of 1.4 million sq ft of new selling space.

Our store opening plans for our two most recent markets are well advanced. In the US, six stores are scheduled to open later this calendar year and we expect to open a 70,000 sq ft store in the American Dream shopping mall in New Jersey in calendar 2017. This will bring the total number of stores in the US to nine. We have also announced the locations of our first three stores in Italy. On 14 April we had an enthusiastic response to the opening of our 57,000 sq ft store in Arese, a city 12 kilometres north-west of Milan. This will be followed by Brescia in the early autumn and Florence later in 2017.

We are making a significant investment in our warehouse infrastructure. Last year, capacity was added in Spain and Germany and we opened a new warehouse in Bor, on the western border of the Czech Republic. This summer we will migrate our Magna Park distribution centre in the UK to a larger, purpose-built warehouse at Islip, Northamptonshire, and open a new facility in Roosendaal in the Netherlands. By the end of this year we will have doubled our capacity since 2013.

George Weston
Chief Executive

CONDENSED CONSOLIDATED INCOME STATEMENT

Continuing operations	Note	**24 weeks ended 27 February 2016 £m**	24 weeks ended 28 February 2015 £m	52 weeks ended 12 September 2015 £m
Revenue	1	**6,117**	6,248	12,800
Operating costs before exceptional items		**(5,663)**	(5,820)	(11,811)
Exceptional items	2	**–**	(98)	(98)
		454	330	891
Share of profit after tax from joint ventures and associates		**23**	18	48
Profits less losses on disposal of non-current assets		**–**	5	8
Operating profit		**477**	353	947
Adjusted operating profit	1	**486**	474	1,092
Profits less losses on disposal of non-current assets		**–**	5	8
Amortisation of non-operating intangibles		**(9)**	(28)	(55)
Exceptional item	2	**–**	(98)	(98)
Profits less losses on sale and closure of businesses	6	**–**	(116)	(172)
Profit before interest		**477**	237	775
Finance income		**2**	6	8
Finance expense		**(26)**	(32)	(61)
Other financial income/(expense)		**4**	2	(5)
Profit before taxation		**457**	213	717
Adjusted profit before taxation		**466**	450	1,034
Profits less losses on disposal of non-current assets		**–**	5	8
Amortisation of non-operating intangibles		**(9)**	(28)	(55)
Exceptional item	2	**–**	(98)	(98)
Profits less losses on sale and closure of businesses	6	**–**	(116)	(172)
Taxation – UK (excluding tax on exceptional item)		**(32)**	(36)	(88)
– UK (on exceptional item)		**–**	3	22
– Overseas		**(65)**	(56)	(127)
	3	**(97)**	(89)	(193)
Profit for the period		**360**	124	524
Attributable to				
Equity shareholders		**357**	143	532
Non-controlling interests		**3**	(19)	(8)
Profit for the period		**360**	124	524
Basic and diluted earnings per ordinary share (pence)	4	**45.2**	18.1	67.3
Dividends per share paid and proposed for the period (pence)	5	**10.3**	10.0	35.0

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	24 weeks ended 27 February 2016 £m	24 weeks ended 28 February 2015 £m	52 weeks ended 12 September 2015 £m
Profit for the period recognised in the income statement	**360**	124	524
Other comprehensive income			
Remeasurements of defined benefit schemes	**45**	(58)	27
Deferred tax associated with defined benefit schemes	**(10)**	12	(5)
Items that will not be reclassified to profit or loss	**35**	(46)	22
Effect of movements in foreign exchange	**279**	(208)	(457)
Net (loss)/gain on hedge of net investment in foreign subsidiaries	**(42)**	22	22
Deferred tax associated with movements in foreign exchange	**6**	–	2
Current tax associated with movements in foreign exchange	**1**	–	1
Reclassification adjustment for movements in foreign exchange on subsidiaries disposed	**–**	–	(8)
Movement in cash flow hedging position	**(2)**	33	(56)
Deferred tax associated with movement in cash flow hedging position	**–**	(1)	11
Share of other comprehensive income of joint ventures and associates	**9**	–	(2)
Items that are or may be subsequently reclassified to profit or loss	**251**	(154)	(487)
Other comprehensive income for the period	**286**	(200)	(465)
Total comprehensive income for the period	**646**	(76)	59
Attributable to			
Equity shareholders	**661**	(42)	150
Non-controlling interests	**(15)**	(34)	(91)
Total comprehensive income for the period	**646**	(76)	59

CONDENSED CONSOLIDATED BALANCE SHEET

	27 February 2016 £m	28 February 2015 £m	12 September 2015 £m
Non-current assets			
Intangible assets	**1,425**	1,431	1,367
Property, plant and equipment	**4,736**	4,515	4,488
Biological assets	**83**	99	83
Investments in joint ventures	**196**	167	180
Investments in associates	**36**	33	32
Employee benefits assets	**177**	30	125
Deferred tax assets	**120**	132	125
Other receivables	**29**	86	23
Total non-current assets	**6,802**	6,493	6,423
Current assets			
Inventories	**1,951**	1,872	1,827
Biological assets	**90**	102	70
Trade and other receivables	**1,281**	1,258	1,176
Derivative assets	**105**	149	74
Cash and cash equivalents	**583**	283	702
Total current assets	**4,010**	3,664	3,849
Total assets	**10,812**	10,157	10,272
Current liabilities			
Loans and overdrafts	**(379)**	(459)	(319)
Trade and other payables	**(2,200)**	(1,920)	(2,226)
Derivative liabilities	**(49)**	(18)	(33)
Income tax	**(112)**	(175)	(126)
Provisions	**(35)**	(63)	(38)
Total current liabilities	**(2,775)**	(2,635)	(2,742)
Non-current liabilities			
Loans	**(625)**	(625)	(577)
Provisions	**(25)**	(29)	(28)
Deferred tax liabilities	**(234)**	(245)	(233)
Employee benefits liabilities	**(161)**	(131)	(141)
Total non-current liabilities	**(1,045)**	(1,030)	(979)
Total liabilities	**(3,820)**	(3,665)	(3,721)
Net assets	**6,992**	6,492	6,551
Equity			
Issued capital	**45**	45	45
Other reserves	**175**	175	175
Translation reserve	**147**	70	(125)
Hedging reserve	**(14)**	58	(11)
Retained earnings	**6,446**	5,862	6,252
Total equity attributable to equity shareholders	**6,799**	6,210	6,336
Non-controlling interests	**193**	282	215
Total equity	**6,992**	6,492	6,551

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	**24 weeks ended 27 February 2016 £m**	24 weeks ended 28 February 2015 £m	52 weeks ended 12 September 2015 £m
Cash flow from operating activities				
Profit before taxation		**457**	213	717
Profits less losses on disposal of non-current assets		**–**	(5)	(8)
Profits less losses on sale and closure of businesses		**–**	116	172
Finance income		**(2)**	(6)	(8)
Finance expense		**26**	32	61
Other financial (income)/expense		**(4)**	(2)	5
Share of profit after tax from joint ventures and associates		**(23)**	(18)	(48)
Amortisation		**22**	41	81
Depreciation		**199**	199	401
Exceptional item		**–**	98	98
Net change in the fair value of biological assets		**(30)**	(3)	4
Share-based payment expense		**–**	4	11
Pension costs less contributions		**5**	6	6
Increase in inventories		**(56)**	(297)	(310)
(Increase)/decrease in receivables		**(57)**	(20)	10
(Decrease)/increase in payables		**(79)**	(48)	234
Purchases less sales of current biological assets		**–**	(1)	(2)
Decrease in provisions		**(7)**	(17)	(28)
Cash generated from operations		**451**	292	1,396
Income taxes paid		**(87)**	(102)	(230)
Net cash from operating activities		**364**	190	1,166
Cash flows from investing activities				
Dividends received from joint ventures and associates		**10**	30	50
Purchase of property, plant and equipment		**(332)**	(289)	(582)
Purchase of intangibles		**(16)**	(17)	(31)
Purchase of non-current biological assets		**–**	–	(1)
Sale of property, plant and equipment		**7**	29	72
Purchase of subsidiaries, joint ventures and associates		**(9)**	(60)	(52)
Sale of subsidiaries, joint ventures and associates		**–**	3	5
Loans to joint ventures		**–**	–	(7)
Interest received		**2**	5	7
Net cash from investing activities		**(338)**	(299)	(539)
Cash flows from financing activities				
Dividends paid to non-controlling interests		**(7)**	(8)	(16)
Dividends paid to equity shareholders	5	**(198)**	(192)	(271)
Interest paid		**(21)**	(28)	(64)
Financing:				
Increase/(decrease) in short-term loans		**21**	106	(115)
Increase/(decrease) in long-term loans		**4**	(1)	15
Sale of shares in subsidiary undertakings to non-controlling interests		**–**	11	11
Net cash from financing activities		**(201)**	(112)	(440)
Net (decrease)/increase in cash and cash equivalents		**(175)**	(221)	187
Cash and cash equivalents at the beginning of the period		**585**	399	399
Effect of movements in foreign exchange		**34**	(11)	(1)
Cash and cash equivalents at the end of the period	7	**444**	167	585

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Issued capital £m	Other reserves £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
		Attributable to equity shareholders							
Balance as at 12 September 2015		45	175	(125)	(11)	6,252	6,336	215	6,551
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	357	357	3	360
Remeasurements of defined benefit schemes		–	–	–	–	45	45	–	45
Deferred tax associated with defined benefit schemes		–	–	–	–	(10)	(10)	–	(10)
Items that will not be reclassified to profit or loss		–	–	–	–	35	35	–	35
Effect of movements in foreign exchange		–	–	298	–	–	298	(19)	279
Net loss on hedge of net investment in foreign subsidiaries		–	–	(42)	–	–	(42)	–	(42)
Deferred tax associated with movements in foreign exchange		–	–	6	–	–	6	–	6
Current tax associated with movements in foreign exchange		–	–	1	–	–	1	–	1
Movement in cash flow hedging position		–	–	–	(3)	–	(3)	1	(2)
Share of other comprehensive income of joint ventures and associates		–	–	9	–	–	9	–	9
Items that are or may be subsequently reclassified to profit or loss		–	–	272	(3)	–	269	(18)	251
Other comprehensive income		–	–	272	(3)	35	304	(18)	286
Total comprehensive income		–	–	272	(3)	392	661	(15)	646
Transactions with owners									
Dividends paid to equity shareholders	5	–	–	–	–	(198)	(198)	–	(198)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(7)	(7)
Total transactions with owners		–	–	–	–	(198)	(198)	(7)	(205)
Balance as at 27 February 2016		45	175	147	(14)	6,446	6,799	193	6,992
Balance as at 13 September 2014		45	175	238	29	5,950	6,437	316	6,753
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	143	143	(19)	124
Remeasurements of defined benefit schemes		–	–	–	–	(58)	(58)	–	(58)
Deferred tax associated with defined benefit schemes		–	–	–	–	12	12	–	12
Items that will not be reclassified to profit or loss		–	–	–	–	(46)	(46)	–	(46)
Effect of movements in foreign exchange		–	–	(190)	(3)	–	(193)	(15)	(208)
Net gain on hedge of net investment in foreign subsidiaries		–	–	22	–	–	22	–	22
Movement in cash flow hedging position		–	–	–	33	–	33	–	33
Deferred tax associated with movement in cash flow hedging position		–	–	–	(1)	–	(1)	–	(1)
Items that are or may be subsequently reclassified to profit or loss		–	–	(168)	29	–	(139)	(15)	(154)
Other comprehensive income		–	–	(168)	29	(46)	(185)	(15)	(200)
Total comprehensive income		–	–	(168)	29	97	(42)	(34)	(76)
Transactions with owners									
Dividends paid to equity shareholders	5	–	–	–	–	(192)	(192)	–	(192)
Net movement in own shares held		–	–	–	–	4	4	–	4
Dividends paid to non-controlling interests		–	–	–	–	–	–	(8)	(8)
Acquisition of non-controlling interests		–	–	–	–	3	3	8	11
Total transactions with owners		–	–	–	–	(185)	(185)	–	(185)
Balance as at 28 February 2015		45	175	70	58	5,862	6,210	282	6,492

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity shareholders						Non-controlling interests £m	Total equity £m
		Issued capital £m	Other reserves £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m		
Balance as at 13 September 2014		45	175	238	29	5,950	6,437	316	6,753
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	532	532	(8)	524
Remeasurements of defined benefit schemes		–	–	–	–	26	26	1	27
Deferred tax associated with defined benefit schemes		–	–	–	–	(5)	(5)	–	(5)
Items that will not be reclassified to profit or loss		–	–	–	–	21	21	1	22
Effect of movements in foreign exchange		–	–	(376)	(1)	–	(377)	(80)	(457)
Net gain on hedge of net investment in foreign subsidiaries		–	–	22	–	–	22	–	22
Deferred tax associated with movements in foreign exchange		–	–	–	–	–	–	2	2
Current tax associated with movements in foreign exchange		–	–	1	–	–	1	–	1
Reclassification adjustment for movements in foreign exchange on subsidiaries disposed		–	–	(8)	–	–	(8)	–	(8)
Movement in cash flow hedging position		–	–	–	(49)	–	(49)	(7)	(56)
Deferred tax associated with movement in cash flow hedging position		–	–	–	10	–	10	1	11
Share of other comprehensive income of joint ventures and associates		–	–	(2)	–	–	(2)	–	(2)
Items that are or may be subsequently reclassified to profit or loss		–	–	(363)	(40)	–	(403)	(84)	(487)
Other comprehensive income		–	–	(363)	(40)	21	(382)	(83)	(465)
Total comprehensive income		–	–	(363)	(40)	553	150	(91)	59
Transactions with owners									
Dividends paid to equity shareholders	5	–	–	–	–	(271)	(271)	–	(271)
Net movement in own shares held		–	–	–	–	11	11	–	11
Current tax associated with share-based payments		–	–	–	–	4	4	–	4
Dividends paid to non-controlling interests		–	–	–	–	–	–	(16)	(16)
Acquisition and disposal of non-controlling interests		–	–	–	–	5	5	6	11
Total transactions with owners		–	–	–	–	(251)	(251)	(10)	(261)
Balance as at 12 September 2015		**45**	**175**	**(125)**	**(11)**	**6,252**	**6,336**	**215**	**6,551**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Operating segments

The group has five operating segments, as described below. These are the group's operating divisions, based on the management and internal reporting structure, which combine businesses with common characteristics, primarily in respect of the type of products offered, but also the production processes involved and the manner of the distribution and sale of goods. The board is the chief operating decision-maker.

Inter-segment pricing is determined on an arm's length basis. Segment result is adjusted operating profit, as shown on the face of the consolidated income statement. Segment assets comprise all non-current assets except employee benefits assets and deferred tax assets, and all current assets except cash and cash equivalents. Segment liabilities comprise trade and other payables, derivative liabilities and provisions.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expenses, cash, borrowings, employee benefits balances and current and deferred tax balances. Segment non-current asset additions are the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year, comprising property, plant and equipment, operating intangibles and biological assets.

The group is comprised of the following operating segments:

Grocery	The manufacture of grocery products, including hot beverages, sugar & sweeteners, vegetable oils, bread & baked goods, cereals, ethnic foods, herbs & spices, and meat products, which are sold to retail, wholesale and foodservice businesses.
Sugar	The growing and processing of sugar beet and sugar cane for sale to industrial users and to Silver Spoon, which is included in the grocery segment.
Agriculture	The manufacture of animal feeds and the provision of other products and services for the agriculture sector.
Ingredients	The manufacture of bakers' yeast, bakery ingredients, enzymes, lipids, yeast extracts and cereal specialities.
Retail	Buying and merchandising value clothing and accessories through the Primark and Penneys retail chains.

Geographical information

In addition to the required disclosure for operating segments, disclosure is also given of certain geographical information about the group's operations, based on the geographical groupings: United Kingdom; Europe & Africa; The Americas; and Asia Pacific.

Revenues are shown by reference to the geographical location of customers. Profits are shown by reference to the geographical location of the businesses. Segment assets are based on the geographical location of the assets.

	Revenue			Adjusted operating profit		
	24 weeks ended 27 February 2016 £m	24 weeks ended 28 February 2015 £m	52 weeks ended 12 September 2015 £m	**24 weeks ended 27 February 2016 £m**	24 weeks ended 28 February 2015 £m	52 weeks ended 12 September 2015 £m
Operating segments						
Grocery	**1,520**	1,580	3,177	**130**	128	285
Sugar	**843**	928	1,818	**6**	(3)	43
Agriculture	**491**	577	1,211	**22**	23	60
Ingredients	**596**	616	1,247	**40**	28	76
Retail	**2,667**	2,547	5,347	**313**	322	673
Central	**–**	–	–	**(25)**	(24)	(45)
	6,117	6,248	12,800	**486**	474	1,092
Geographical information						
United Kingdom	**2,488**	2,574	5,444	**210**	248	535
Europe & Africa	**2,080**	2,077	4,080	**163**	142	335
The Americas	**654**	622	1,269	**77**	73	148
Asia Pacific	**895**	975	2,007	**36**	11	74
	6,117	6,248	12,800	**486**	474	1,092

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Operating segments for the 24 weeks ended 27 February 2016

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	1,521	904	493	669	2,667	(137)	6,117
Internal revenue	(1)	(61)	(2)	(73)	–	137	–
Revenue from external customers	1,520	843	491	596	2,667	–	6,117
Adjusted operating profit before joint ventures and associates	117	5	18	35	313	(25)	463
Share of profit after tax from joint ventures and associates	13	1	4	5	–	–	23
Adjusted operating profit	130	6	22	40	313	(25)	486
Amortisation of non-operating intangibles	(9)	–	–	–	–	–	(9)
Profit before interest	121	6	22	40	313	(25)	477
Finance income						2	2
Finance expense						(26)	(26)
Other financial income						4	4
Taxation						(97)	(97)
Profit for the period	121	6	22	40	313	(142)	360
Segment assets (excluding joint ventures and associates)	2,470	2,285	363	1,253	3,225	104	9,700
Investments in joint ventures and associates	29	19	129	55	–	–	232
Segment assets	2,499	2,304	492	1,308	3,225	104	9,932
Cash and cash equivalents						583	583
Deferred tax assets						120	120
Employee benefits assets						177	177
Segment liabilities	(477)	(456)	(108)	(221)	(928)	(119)	(2,309)
Loans and overdrafts						(1,004)	(1,004)
Income tax						(112)	(112)
Deferred tax liabilities						(234)	(234)
Employee benefits liabilities						(161)	(161)
Net assets	2,022	1,848	384	1,087	2,297	(646)	6,992
Non-current asset additions	46	70	14	25	140	–	295
Depreciation	44	39	4	21	89	2	199
Amortisation	17	2	1	2	–	–	22

Geographical information	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	2,488	2,080	654	895	6,117
Segment assets	4,070	3,191	1,095	1,576	9,932
Non-current asset additions	118	124	28	25	295
Depreciation	95	59	15	30	199
Amortisation	10	5	2	5	22

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Operating segments for the 24 weeks ended 28 February 2015

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	1,581	960	577	693	2,547	(110)	6,248
Internal revenue	(1)	(32)	–	(77)	–	110	–
Revenue from external customers	1,580	928	577	616	2,547	–	6,248
Adjusted operating profit before joint ventures and associates	118	(3)	20	23	322	(24)	456
Share of profit after tax from joint ventures and associates	10	–	3	5	–	–	18
Adjusted operating profit	128	(3)	23	28	322	(24)	474
Profits less losses on disposal of non-current assets	7	1	–	–	1	(4)	5
Amortisation of non-operating intangibles	(10)	(18)	–	–	–	–	(28)
Exceptional item	–	(98)	–	–	–	–	(98)
Profits less losses on sale and closure of businesses	–	(116)	–	–	–	–	(116)
Profit before interest	125	(234)	23	28	323	(28)	237
Finance income						6	6
Finance expense						(32)	(32)
Other financial income						2	2
Taxation						(89)	(89)
Profit for the period	125	(234)	23	28	323	(141)	124
Segment assets (excluding joint ventures and associates)	2,466	2,454	356	1,218	2,861	157	9,512
Investments in joint ventures and associates	22	14	116	48	–	–	200
Segment assets	2,488	2,468	472	1,266	2,861	157	9,712
Cash and cash equivalents						283	283
Deferred tax assets						132	132
Employee benefits assets						30	30
Segment liabilities	(463)	(515)	(121)	(213)	(575)	(143)	(2,030)
Loans and overdrafts						(1,084)	(1,084)
Income tax						(175)	(175)
Deferred tax liabilities						(245)	(245)
Employee benefits liabilities						(131)	(131)
Net assets	2,025	1,953	351	1,053	2,286	(1,176)	6,492
Non-current asset additions	53	55	8	24	131	2	273
Depreciation	45	48	4	22	78	2	199
Amortisation	18	20	1	2	–	–	41
Exceptional item	–	98	–	–	–	–	98
Impairment of property, plant and equipment on closure of business	–	14	–	–	–	–	14
Impairment of intangibles on closure of business	–	5	–	–	–	–	5
Impairment of goodwill on closure of business	–	46	–	–	–	–	46

Geographical information	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	2,574	2,077	622	975	6,248
Segment assets	4,232	3,007	971	1,502	9,712
Non-current asset additions	106	122	17	28	273
Depreciation	90	58	12	39	199
Amortisation	10	24	2	5	41
Exceptional item	98	–	–	–	98
Impairment of property, plant and equipment on closure of business	–	–	–	14	14
Impairment of intangibles on closure of business	–	–	–	5	5
Impairment of goodwill on closure of business	–	–	–	46	46

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Operating segments for the 52 weeks ended 12 September 2015

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	3,179	1,887	1,213	1,402	5,347	(228)	12,800
Internal revenue	(2)	(69)	(2)	(155)	–	228	–
Revenue from external customers	3,177	1,818	1,211	1,247	5,347	–	12,800
Adjusted operating profit before joint ventures and associates	259	43	48	66	673	(45)	1,044
Share of profit after tax from joint ventures and associates	26	–	12	10	–	–	48
Adjusted operating profit	285	43	60	76	673	(45)	1,092
Profits less losses on disposal of non-current assets	19	3	1	–	(8)	(7)	8
Amortisation of non-operating intangibles	(19)	(35)	–	(1)	–	–	(55)
Exceptional item	–	(98)	–	–	–	–	(98)
Profits less losses on sale and closure of businesses	6	(181)	3	–	–	–	(172)
Profit before interest	291	(268)	64	75	665	(52)	775
Finance income						8	8
Finance expense						(61)	(61)
Other financial expense						(5)	(5)
Taxation						(193)	(193)
Profit for the period	291	(268)	64	75	665	(303)	524
Segment assets (excluding joint ventures and associates)	2,369	2,069	318	1,142	3,126	84	9,108
Investments in joint ventures and associates	22	17	125	48	–	–	212
Segment assets	2,391	2,086	443	1,190	3,126	84	9,320
Cash and cash equivalents						702	702
Deferred tax assets						125	125
Employee benefits assets						125	125
Segment liabilities	(451)	(391)	(115)	(230)	(1,034)	(104)	(2,325)
Loans and overdrafts						(896)	(896)
Income tax						(126)	(126)
Deferred tax liabilities						(233)	(233)
Employee benefits liabilities						(141)	(141)
Net assets	1,940	1,695	328	960	2,092	(464)	6,551
Non-current asset additions	104	121	17	58	351	6	657
Depreciation	94	76	9	45	173	4	401
Amortisation	37	39	2	3	–	–	81
Exceptional item	–	98	–	–	–	–	98
Impairment of goodwill on disposal of business	–	46	–	–	–	–	46
Impairment of intangibles on closure of business	–	11	–	–	–	–	11

Geographical information	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	5,444	4,080	1,269	2,007	12,800
Segment assets	3,977	3,059	1,009	1,275	9,320
Non-current asset additions	216	289	91	61	657
Depreciation	185	118	27	71	401
Amortisation	29	38	4	10	81
Exceptional item	98	–	–	–	98
Impairment of goodwill on disposal of business	–	–	–	46	46
Impairment of intangibles on closure of business	–	–	11	–	11

2. Exceptional item

The exceptional item in 2015 was a £98m non-cash charge to impair the group's shareholder loans to Vivergo Fuels which, at the time of the impairment, was a joint venture in which the group's equity interest was 47%. An exceptional tax credit of £22m arose on this item.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Income tax expense

	24 weeks ended 27 February 2016 £m	24 weeks ended 28 February 2015 £m	52 weeks ended 12 September 2015 £m
Current tax expense			
UK – corporation tax at 20.0%/20.5%/20.5%	**38**	35	74
Overseas – corporation tax	**57**	47	109
UK – overprovided in prior periods	**–**	–	(10)
Overseas – overprovided in prior periods	**–**	–	(15)
	95	82	158
Deferred tax expense			
UK deferred tax	**(6)**	(2)	(6)
Overseas deferred tax	**8**	9	25
UK – overprovided in prior periods	**–**	–	8
Overseas – overprovided in prior periods	**–**	–	8
	2	7	35
Total income tax expense in income statement	**97**	89	193
Reconciliation of effective tax rate			
Profit before taxation	**457**	213	717
Less share of profit after tax from joint ventures and associates	**(23)**	(18)	(48)
Profit before taxation excluding share of profit after tax from joint ventures and associates	**434**	195	669
Nominal tax charge at UK corporation tax rate of 20.0%/20.5%/20.5%	**87**	40	137
Effect of higher and lower tax rates on overseas earnings	**5**	(2)	(29)
Effect of changes in tax rates on income statement	**(5)**	1	3
Expenses not deductible for tax purposes	**7**	25	58
Disposal of assets covered by tax exemptions or unrecognised capital losses	**–**	23	23
Deferred tax not recognised	**3**	2	10
Adjustments in respect of prior periods	**–**	–	(9)
	97	89	193
Income tax recognised directly in equity			
Deferred tax associated with defined benefit schemes	**10**	(12)	5
Current tax associated with share-based payments	**–**	–	(4)
Deferred tax associated with movement in cash flow hedging position	**–**	1	(11)
Deferred tax associated with movements in foreign exchange	**(6)**	–	(2)
Current tax associated with movements in foreign exchange	**(1)**	–	(1)
	3	(11)	(13)

The UK corporation tax rate was reduced from 21% to 20% with effect from 1 April 2015. The legislation to effect this rate change had been enacted before the prior year balance sheet date. In October 2015 legislation was substantively enacted to reduce the rate further to 19% from 1 April 2017 and to 18% from 1 April 2020. Accordingly, UK deferred tax has been measured taking these rates into account.

It has recently been announced that the UK corporation tax rate will be further reduced to 17% from 1 April 2020. However, this has not yet been substantively enacted and is not reflected in these interim results.

4. Earnings per ordinary share

	24 weeks ended 27 February 2016 pence	24 weeks ended 28 February 2015 pence	52 weeks ended 12 September 2015 pence
Adjusted earnings per share	**46.1**	46.1	102.0
Disposal of non-current assets	**–**	0.6	1.0
Sale and closure of businesses	**–**	(14.2)	(21.7)
Exceptional items	**–**	(12.4)	(12.4)
Tax effect on above adjustments	**–**	0.3	2.4
Amortisation of non-operating intangibles	**(1.2)**	(3.5)	(7.0)
Tax credit on non-operating intangibles amortisation and goodwill	**0.3**	0.6	1.0
Non-controlling interests' share of the above adjustments	**–**	0.6	2.0
Earnings per ordinary share	**45.2**	18.1	67.3

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. Dividends

	24 weeks ended 27 February 2016 pence	24 weeks ended 28 February 2015 pence	52 weeks ended 12 September 2015 pence
Per share			
2014 final	**–**	24.3	24.3
2015 interim	**–**	–	10.0
2015 final	**25.0**	–	–
	25.0	24.3	34.3

	£m	£m	£m
Total			
2014 final	**–**	192	192
2015 interim	**–**	–	79
2015 final	**198**	–	–
	198	192	271

The 2015 final dividend of 25.0p per share was approved on 4 December 2015 and totalled £198m when paid on 8 January 2016. The 2016 interim dividend of 10.3p per share, total value of £81m, will be paid on 1 July 2016 to shareholders on the register on 3 June 2016.

6. Acquisitions and disposals

During the period the group acquired two small Agriculture businesses in Europe. Total consideration paid was £8m, acquiring net assets of £5m, resulting in goodwill of £3m. £1m was paid in respect of deferred consideration on prior year acquisitions.

At the 2015 half year, the £116m charge related entirely to the closure of the Yi'an and BoCheng beet sugar factories in Heilongjiang province in north China, which were subsequently sold.

In the year ended 12 September 2015, the group sold the Yi'an and BoCheng beet sugar factories and restructured the associated head office in Beijing, incurring a mainly non-cash charge of £100m. Also in the Sugar segment, the group incurred a net £75m non-cash charge arising on the acquisition of BP's 47% interest in Vivergo Fuels in the UK, and an £11m charge for the write-off of an intangible on closure of a small business in North America. The group also released £14m of warranty provisions arising on prior year disposals that were no longer required, comprising £6m in Grocery in the UK, £4m in European Sugar, £1m in China Sugar and £3m in Agriculture in the UK.

7. Analysis of net debt

	At 12 September 2015 £m	Cash flow £m	Non-cash items £m	Exchange adjustments £m	**At 27 February 2016 £m**
Cash at bank and in hand, cash equivalents and overdrafts	585	(175)	–	34	**444**
Short-term loans	(202)	(21)	(7)	(10)	**(240)**
Long-term loans	(577)	(4)	7	(51)	**(625)**
	(194)	(200)	–	(27)	**(421)**

Cash and cash equivalents comprise bank and cash balances, call deposits and short-term investments with original maturities of three months or less. Bank overdrafts that are repayable on demand of £139m form an integral part of the group's cash management and are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Derivative assets include £56m in respect of a number of cross-currency swaps which have the economic effect of matching the currency mix of the group's US private placement debt more closely to the currency mix of its operating asset base. These derivative assets are not included in the group's net debt.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Full details of the group's other related party relationships, transactions and balances are given in the group's financial statements for the 52 weeks ended 12 September 2015. There have been no material changes in these relationships in the 24 weeks ended 27 February 2016 or up to the date of this report.

No related party transactions have taken place in the first 24 weeks of the current financial year that have materially affected the financial position or the performance of the group during that period.

9. Basis of preparation

Associated British Foods plc ('the Company') is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the Company for the 24 weeks ended 27 February 2016 comprise those of the Company and its subsidiaries (together referred to as 'the group') and the group's interests in associates and joint ventures.

The consolidated financial statements of the group for the 52 weeks ended 12 September 2015 are available upon request from the Company's registered office at 10 Grosvenor Street, London W1K 4QY or at www.abf.co.uk.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the group for the 52 weeks ended 12 September 2015.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the 52 weeks ended 12 September 2015.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements. The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating review. Note 24 on pages 129 to 138 of the 2015 annual report provides details of the group's policy on managing its financial and commodity risks.

The group has considerable financial resources, good access to debt markets, a diverse range of businesses and a wide geographic spread. It is therefore well placed to continue to manage business risks successfully despite the current economic uncertainty.

The 24-week period for the condensed consolidated interim financial statements of the Company means that the second half of the year is usually a 28-week period, and the two halves of the reporting year are therefore not of equal length. For the Retail segment, Christmas, falling in the first half of the year, is a particularly important trading period. For the Sugar segment, the balance sheet, and working capital in particular, is strongly influenced by seasonal growth patterns for both sugar beet and sugar cane, which vary significantly in the markets in which the group operates.

The condensed consolidated interim financial statements are unaudited but have been subject to an independent review by the auditor and were approved by the board of directors on 19 April 2016. They do not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The comparative figures for the 52 weeks ended 12 September 2015 have been abridged from the group's 2015 financial statements and are not the Company's statutory financial statements for that period. Those financial statements have been reported on by the Company's auditor for that period and delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

This interim results announcement has been prepared solely to provide additional information to shareholders as a body, to assess the group's strategies and the potential for those strategies to succeed. This interim results announcement should not be relied upon by any other party or for any other purpose.

10. Significant accounting policies

The accounting policies applied by the group in these condensed consolidated interim financial statements are substantially the same as those applied by the group in its consolidated financial statements for the 52 weeks ended 12 September 2015, including for derivatives and biological assets, which are recognised in the balance sheet at fair value and fair value less costs to sell, respectively. The methodology for selecting assumptions underpinning the fair value calculations has not changed since 12 September 2015.

CAUTIONARY STATEMENTS, RISKS AND UNCERTAINTIES, AND RESPONSIBILITY STATEMENT

Cautionary statements

This interim results announcement contains forward-looking statements. These have been made by the directors in good faith based on the information available to them up to the time of their approval of this report. The directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The directors undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the group's performance over the remainder of the financial year and could cause actual results to differ materially from expected and historical results. These include, but are not limited to, competitor activity and competition risk, commercial relationships with customers and suppliers, changes in foreign exchange rates and commodity prices. Details of the principal risks facing the group's businesses at an operational level are included on pages 56 to 59 of the group's statutory financial statements for the 52 weeks ended 12 September 2015, as part of the Strategic report. Details of further potential risks and uncertainties arising since the issue of the previous statutory financial statements are included within the Chairman's statement and the Operating review as appropriate.

Responsibility statement

The interim results announcement complies with the Disclosure and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority in respect of the requirement to produce a half-yearly financial report.

The directors confirm that to the best of their knowledge:

- this financial information has been prepared in accordance with IAS 34 as adopted by the EU;
- this interim results announcement includes a fair review of the important events during the first half and their impact on the financial information, and a description of the principal risks and uncertainties for the remaining half of the year as required by DTR 4.2.7R; and
- this interim results announcement includes a fair review of the disclosure of related party transactions and changes therein as required by DTR 4.2.8R.

On behalf of the board

George Weston
Chief Executive

John Bason
Finance Director

Charles Sinclair
Chairman
19 April 2016

INDEPENDENT REVIEW REPORT TO ASSOCIATED BRITISH FOODS PLC

Introduction

We have been engaged by the Company to review the condensed consolidated interim financial statements in the interim results announcement for the 24 weeks ended 27 February 2016 which comprise the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the interim results announcement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim results announcement is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim results announcement in accordance with the Disclosure and Transparency Rules ('the DTR') of the United Kingdom's Financial Conduct Authority ('the UK FCA').

As disclosed in note 9, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The condensed consolidated interim financial statements included in this interim results announcement have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated interim financial statements in the interim results announcement based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements in the interim results announcement for the 24 weeks ended 27 February 2016 are not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Ernst & Young LLP
London
19 April 2016

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Company Secretary
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Registrar and transfer office
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John G Bason, Finance Director
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Ruth Cairnie*‡†
Tim Clarke*√†
Javier Ferrán*‡√†
Wolfhart Hauser*‡†
Richard Reid (appointed 14 April 2016)*‡†

* member of the Remuneration committee
‡ member of the Audit committee
√ member of the Nomination committee
† independent non-executive director
Tim Clarke is the Senior Independent Director

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For an accessible version of the Annual Report and Accounts please visit **www.abf.co.uk**.

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